

Message Text

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TAGS:

SUBJECT: WASHINGTON POST ARTICLE ON JAMAICA/IMF

1. THE FOLLOWING SUMMARIZES HIGHLIGHTS OF ARTICLE WHICH
APPEARED ON THE FRONT PAGE OF THE JULY 24 EDITION OF
WASHINGTON POST. ARTICLE BY ART PINE ENTITLED "ECONOMIC
SHOCK: IMF TERMS FORCE JAMAICAN BELT TIGHTENING," IS
SECOND INSTALLMENT OF TWO PART SERIES ON THE IMF.

2. ARTICLE DESCRIBES TERMS OF IMF EFF AGREEMENT AS A
"HARSH DOSE OF ECONOMIC MEDICINE," WHICH HAS PRODUCED
A VIRTUAL SHOCKWAVE FOR ALREADY HARD-HIT JAMAICAN
WORKING AND MIDDLE CLASS. ARTICLE DESCRIBES MANLEY'S
SUPPORTERS AS NO LONGER CONFIDENT HIS PARTY WOULD BE
RETURNED TO OFFICE IN ANOTHER ELECTION.

3. AN UNIDENTIFIED MINISTRY OF FINANCE OFFICIAL IS
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QUOTED SAYING THAT WITHOUT IMF MONEY IT WOULD HAVE
BEEN NEARLY IMPOSSIBLE FOR JAMAICA TO HAVE SURVIVED.
JAMAICA WOULD VIRTUALLY HAVE TO RETIRE FROM INTERNATIONAL
COMMERCE, WHICH WOULD BE NEXT TO SUICIDE FOR A COUNTRY
SO HEAVILY DEPENDENT ON IMPORTS AND WOULD PRODUCE
SERIOUS POLITICAL UPHEAVAL. GOJ HAD NO CHOICE BUT TO
REACH AN AGREEMENT WITH IMF.

4. BIG QUESTION IS, DID IMF GO TOO FAR IN PERSUADING JAMAICA TO ACCEPT HARSH TERMS AND HOW MUCH SAY DID MANLEY'S GOVERNMENT HAVE IN POLICIES IT WOULD ADOPT TO MEET THE FUND'S TERMS? NEGOTIATIONS LEADING UP TO LAST MONTH'S LOAN CAME AGAINST BACKDROP OF CONTINUED DECLINE IN THE JAMAICAN ECONOMY. NATION WAS FACING AN ECONOMIC DISASTER.

5. IN 1977 MANLEY ASKED FOR AND GOT A \$78 MILLION LINE OF CREDIT FROM FUND. ACCORDING TO WASHINGTON POST, AFTER MONTHS OF CUTBACKS, JAMAICA FAILED TO MEET AGREED ON ECONOMIC TARGETS, AND LOAN WAS CANCELLED. GOJ TRIED TO GET ALONG WITHOUT IMF'S HELP BUT EVENTUALLY HAD TO ASK FOR ANOTHER LOAN. DEPENDING ON PERSPECTIVE TAKEN IT IS HARD TO DETERMINE JUST HOW MUCH JAMAICA WAS COERCED INTO ADOPTING ITS POLICIES AND HOW MUCH FLEXIBILITY IT HAD TO PICK AND CHOOSE. BOTH SIDES AGREED IMF DID NOT ACTUALLY DICTATE MEASURES MANLEY ADOPTED, BUT GOALS IMF TEAM SET WERE SO SPECIFIC, IT WAS HARD TO AVOID TOUGH DECISIONS.

6. JAMAICAN OFFICIAL WHO PARTICIPATED IN IMF NEGOTIATIONS IS QUOTED SAYING "IMF NEVER TOLD US SPECIFICALLY WHAT POLICIES WE HAD TO FOLLOW TO QUALIFY. ALL THEY WOULD SAY WAS, 'YOU SHOW ME WHAT YOU WANT TO DO AND I'LL TELL

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YOU IF IT'S CORRECT." BY END JAMAICAN NEGOTIATORS PLEADED FOR IMF TO IMPOSE CONDITIONS AND BE DONE WITH IT, BUT IMF SAID JAMAICA HAD TO MAKE UP ITS OWN MIND.

7. BY APRIL THERE WERE ONLY 2 MAJOR POINTS OF DISAGREEMENT BETWEEN IMF AND GOJ:

(A) JAMAICAN OFFICIALS RESENTED IMF'S DEMAND THAT THEY DEVALUE CURRENCY BY 30 PERCENT (15 PERCENT AT START, AND 15 PERCENT A MONTH UNTIL 30 PERCENT IS REACHED). HIGH JAMAICAN OFFICIAL SAID FEELING WAS THAT 15 PERCENT TOTAL WOULD HAVE BEEN SUFFICIENT, BUT FINALLY HAD AGREED TO 30 PERCENT DEVALUATION;

(B) GOJ PLANS TO TAKE OVER ALL IMPORTING THROUGH A STATE TRADE CORPORATION. IMF TEAM CONTENDED THAT WITH SO MANY OF JAMAICA'S TRADE TRANSACTIONS NOW COMING THROUGH US AND BRITISH SUBSIDIARIES, TAKEOVER WOULD DISCOURAGE NEEDED EXPANSION.

8. ON DETAILS OF REMAINDER OF PACKAGE THERE WAS "VIRTUAL UNANIMITY:" JAMAICA'S DOLLAR DEVALUED ACCORDING

TO IMF FORMULA; MANLEY WOULD HOLD LINE ON GOVERNMENT

SPENDING AND BOOST TAXES TO REDUCE BUDGET DEFICIT; IMPORTS
CONTROLLED TIGHTLY AND WAGE INCREASES HELD TO 15 PERCENT.
NO QUESTION THESE POLICIES RESULTED IN HARDSHIPS.

9. LASCELLES BECKFORD, CHIEF OF OPPOSITION-ALLIED
BUSTAMENTE INDUSTRIAL TRADE UNION, SAYS CUTTING FOOD
PURCHASES IN HALF, AND DIPPING INTO SAVINGS, ETC., HAS
BECOME COMMONPLACE FOR JAMAICA'S POORER WORKERS.
UNION LEADERS HAVE PROTESTED GOVERNMENT'S NEW WAGE
CEILING, WHICH IS PREVENTING WORKERS FROM KEEPING UP
WITH RISE IN PRICES. EVEN PNP-AFFILIATED NATIONAL
WORKERS UNION CRITICIZING PRIME MINISTER'S POLICIES.
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NWU'S PRESIDENT, CARLISLE DUNKLEY SPEAKING FOR UNION
WANTS TO KNOW WHAT ASSURANCES CAN BE GIVEN ON PRICES?
BUSINESS LEADERS ARE ALSO UPSET.

10. DESPITE WIDESPREAD HARDSHIPS, THERE HAS BEEN
RELATIVELY LITTLE CRITICISM OF THE IMF. NATIONWIDE
PUBLIC OPINION POLL BY CARL STONE OF UNIVERSITY OF
WEST INDIES SHOWED 46 PERCENT OF JAMAICANS IN FAVOR
OF IMF LOAN DEAL, AND 40 PERCENT OPPOSED. MOST OF
BLAME FALLS ON MANLEY. JAMAICA HAS DELAYED TOO LONG
ACTIONS NEEDED TO RESTORE FINANCIAL RESPONSIBILITY.

11. IMMEDIATE QUESTION IS WHETHER GOJ CAN KEEP LID
ON WAGES--AN ELEMENT MOST JAMAICAN ECONOMISTS REGARD
AS KEY TO PROGRAM'S SUCCESS. DILEMMA OF DAMPENING
CONSUMPTION IS ONLY HALF OF WHAT JAMAICANS MUST DO.
OTHER SIDE IS TO BEGIN SPURRING PRODUCTION.

12. BY WIDE MAJORITY, BOTH GOVERNMENT OFFICIALS AND
PRIVATE SECTOR SPOKESMAN INSIST IMF NOT TOO TOUGH ON
JAMAICA. NUMBER TWO MAN AT JAMAICA'S FINANCE MINISTRY
SAID NEGOTIATIONS WERE TOUGH BUT IMF PEOPLE WERE NOT
UNFAIR. THERE WAS ONLY ONE TECHNICAL MATTER ON WHICH
THEY DISAGREED. FOR THE REST, JAMAICAN'S MADE KEY
DECISIONS THEMSELVES.

13. FULL TEXT OF ARTICLE BEING POUCHED. VANCE

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